

TESTIMONY OF HARRY MOSER
FOUNDER AND PRESIDENT
THE RESHORING INITIATIVE
BEFORE THE
UNITED STATES HOUSE COMMITTEE ON APPROPRIATIONS
SUBCOMMITTEE ON COMMERCE, JUSTICE, SCIENCE, AND RELATED AGENCIES
MARCH 28, 2012

“AMERICAN MANUFACTURING AND JOB REPATRIATION”

INTRODUCTION

Chairman Wolf, Ranking Member Fattah, members of the Subcommittee, thank you for the opportunity to testify today on how to achieve manufacturing job repatriation.

My name is Harry Moser. I am the Founder and President of the Reshoring Initiative – a non-profit corporation, sponsored by 28 manufacturing associations and companies. I have attached a list of my sponsors as Exhibit A. Our mission is to bring solid, well-paying manufacturing jobs back to the United States.

I founded the Initiative because I had seen too many plants close over the course of my long career in manufacturing. One of the first was the closing of Singer Sewing Machine in my hometown of Elizabeth, New Jersey. Established in 1873, that Elizabeth plant was Singer’s first factory for mass production and, in its day, the largest building in the world. After over 100 years in business, it was forced to shut down as the company lost market share to inexpensive Japanese imitations. I saw the same thing happen to other great companies and towns across America. That is what inspired me to take action. In 2010, the Reshoring Initiative was formally established. I have travelled full time all over the country ever since, speaking to groups from industry, government, labor and academia about the importance of rebuilding American manufacturing through reshoring and providing the analytical tools to motivate and justify corporate decisions to reshore.

RECOGNIZING THE TRUE COST OF OFFSHORING

Few would argue that offshoring has been a major factor contributing to the steep decline in U.S. manufacturing jobs over the last few decades. During the boom of the 1950s, manufacturing represented more than a quarter of the country’s economy and about a third of its employment. Today, manufacturing accounts for only about 12 percent of the economy and less than 10 percent of employment. If not for American ingenuity and productivity gains, manufacturers would have fared even worse.

For many companies, the decision to move production overseas has little to do with exploring overseas markets, but mostly to find the cheapest “price” to produce and then sell back into the United States. Often these companies ignore a broad range of other costs which, when added to price, make up the total cost of ownership (TCO). Examples of costs often ignored include: the carrying cost of much higher inventory levels, shipping expenses, the travel cost to check on the supplier, intellectual property risks and the negative impact on innovation from separating manufacturing from engineering. First, offshoring degrades domestic innovation. Second companies often then shift engineering offshore to reunite with manufacturing. Innovation – a key driver of economic growth and American competitiveness – is thus lost. Innovation in

manufacturing is needed to help harness renewable resources, produce fuel-efficient automobiles, retool factories, and protect our national security in the years to come.

THE TOTAL COST OF OWNERSHIP (TCO) ESTIMATOR™

Critical to convincing companies to reshore is getting them to understand the difference between “cheapest price” and “lowest total cost.”

In order for businesses to fully understand this difference, the Reshoring Initiative, www.reshorenw.org, has developed a free online tool called the Total Cost of Ownership Estimator™ that enables a company to better assess all of the costs and risk factors into one cost for simpler, more objective decision making about the benefits of reshoring and creating American jobs. The fiscal year 2012 CJS Appropriations bill directed the Department of Commerce to report to the Committee on the development of such a tool as part of a manufacturing job repatriation initiative. The Reshoring Initiative has been engaged in discussions with the Department on this topic and progress is being made. Attached as Exhibit B is a list of efforts between the Reshoring Initiative and the Commerce Department.

The TCO Estimator is an essential tool to educate businesses about the benefits of reshoring and creating American jobs.

INSOURCING IS TRENDING UP

It seems industry is recognizing that it is time to reevaluate offshoring and decide when and what to reshore. Reshoring is happening in a broad range of states and industries and in companies of all sizes. GE President Jeff Immelt just announced an \$800 million investment that will bring back 600 jobs to its appliance manufacturing complex in Louisville, Kentucky. At the recent Insourcing Forum in which I participated at the White House, the President recognized DuPont’s recent \$150 million investment in an expansion of its photovoltaic film production in Circleville, Ohio – Congressman Austria’s district - creating over 70 jobs. Ford, Caterpillar, and a slew of other businesses, large and small, are creating and bringing jobs back to the United States. They are to be applauded for making this investment in America’s future. Below are just a few more examples:

Company	Product	State
Exxel Outdoors	Outdoor Gear	Haleyville, AL
Wright Engineered Plastics	Molded plastic parts	CA
WHAM-O	Frisbees	CA
NCR	ATMs	Columbus, GA
Coleman	Coolers	Wichita, KS
Suarez Manufacturing Industries	Portable Heating Systems	North Canton, OH
Caterpillar	Hydraulic Excavators	TX

The reasons for reshoring cover a broad spectrum, but the fact is that labor costs in China are rapidly rising, making offshoring less and less attractive. The Boston Consulting Group’s *Made In America, Again* report forecasts that, by 2015, increases in Chinese wages will make the total cost of most Chinese-manufactured and American-manufactured goods equivalent when sold here in the United States. Booz and Co.’s *Manufacturing Wake-Up Call* showed that U.S. manufacture is now generally competitive for sales in the U.S. market, if all costs are considered, but still generally too expensive for exporting to China. A 2012 survey by the MIT Forum for

Supply Chain Innovation found that roughly 40% of responding companies are considering returning some manufacturing to the U.S., with “cost” being the dominant reason.

If more companies had access to the TCO software, we would see more companies creating and reshoring jobs. Take, for example, one seven case sample which showed U.S. *prices* averaged 142% higher than China. In those same seven cases, using TCO software, the U.S. *total cost* averaged only 23% higher. In three of the cases, the U.S. TCO was actually lower than China, averaging 37% lower. Using TCO instead of price brings the percentage of the work that these companies would source here up to 40% from 15%. Other samples have yielded similar results. The United States government should put as much effort into promoting reshoring as it does into promoting exports. It is easier for U.S. businesses to compete on our home field and it creates good, stable jobs.

WHAT ELSE CAN GOVERNMENT DO?

Reshoring will occur more rapidly if lawmakers do their part to make the United States a better place to do business. American manufacturers face an uphill battle to compete with their foreign competitors. In just a few weeks, the U.S. will have the dubious distinction of having the highest corporate tax rate in the developed world. Real trade enforcement, an end to currency manipulation, regulatory reform and a broad tax overhaul are critical to restoring business confidence in the United States and leveling the global playing field.

There is positive action taking place on these fronts. Ways and Means Committee Chairman Dave Camp and President Obama are both to be commended for moving the dialogue on tax reform forward. The House has also proven leadership on regulatory reform by passing the REINS Act last year, and the President’s new Interagency Trade Enforcement Center is a good first step toward ensuring that our trading partners play by the same rules that we do. But, more needs to be done sooner rather than later.

A major American manufacturing crisis that must be addressed now if we are to be competitive in the future is the lack of skilled workers that are capable of meeting the demands of today’s technology-driven workplace. The manufacturing workforce is aging and the talent pool to replace retiring workers is shrinking. There are currently 600,000 manufacturing jobs unfilled, and 2.7 million manufacturing employees are expected to retire in the next ten years. Manufacturers are struggling to fill open positions for engineers, IT specialists and skilled tradesmen. China and India are educating 10 engineers for every one educated in the United States. I am meeting with Assistant Secretary of Employment and Training Administration Jane Oates this afternoon to pursue getting the Labor Department to provide the public with data that more fully describes the attractiveness of skilled manufacturing training. The Department could play an important role in overcoming our severe skilled labor shortage which continues in the face of high unemployment and high underemployment of university graduates.

Our challenge is huge. The solution begins with greater emphasis on STEM subjects in K-12; more vocational technical training in high schools and community colleges; and a national skills certification program so that workers are equipped to tackle new jobs and employers know what to expect of new hires. We also need to do a better job of persuading those with advanced degrees that careers in manufacturing are exciting and lucrative. The tasks are monumental. It will take a real collaboration of industry leaders, teachers and government agencies.

CONCLUSION

Tackling the skilled labor shortage and the other issues I have discussed is going to take a long-term commitment, a reorganization of existing resources, and a willingness to make important investments in our future. I am confident that if our government, industry, labor and academic

communities work together and better utilize existing resources, we can make great strides in revitalizing American manufacturing and promoting strong economic growth. Simply beginning to seriously address some of these issues will significantly improve the chances of convincing companies to reshore existing business and invest in new factories in the United States. This is all part of minimizing the United States total cost of ownership – making the U.S. a more attractive place to do business and explaining the difference between lowest price and lowest total cost.

Thank you Chairman Wolf for holding this hearing to discuss these issues and giving me the opportunity to further explain the total cost of ownership. Congress and the Administration have an important role to play in encouraging reshoring and in making our society competitive enough to seize the rapidly growing reshoring opportunity. Thanks partly to your efforts, the Commerce Department has made a good start promoting the economic and job creation benefits of reshoring, and the important role total cost of ownership can play in the decision-making process.

I will be available for questions and look forward to speaking to each of you about how the Reshoring Initiative and its TCO Estimator can help your constituents and create American jobs.

Exhibit A

The Reshoring Initiative Sponsors:

Amada
AMT – The Association For Manufacturing Technology
Association for Manufacturing Excellence
BIG Kaiser Precision Tooling, Inc.
Brooks Associates
Commerce Lexington Inc.
Doosan
dgs Marketing Engineers
Equipment Appraisers Association of North America
Gardner Publications
GF AgieCharmilles
Hand Tools Institute
IBS
Industrial Fasteners Institute
Mazak Corporation
National Tooling and Machining Association
North American Die Casting Association
Polyurethane Foam Association
Precision Machined Products Association
Precision Metalforming Association
Seco Group
Sescoi
Society of the Plastics Industry
Steel Founders Society
Swiss Machine Tool Society
tci Precision Metals
United Grinding
Velocity Scheduling System

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EXHIBIT B

The fiscal year 2012 CJS Appropriations bill directed the Department of Commerce to report to the Committee on the development of a total cost of ownership tool, such as the Reshoring Initiative's Total Cost of Ownership Estimator™, as part of a manufacturing job repatriation initiative. The Reshoring Initiative has been engaged in discussions with the Department on this topic and progress is being made. Below are some of the efforts taking place:

1. There is now a link to the Reshoring Initiative website on the Commerce Department's new manufacturing.gov homepage.
2. I held discussions with the National Institute of Standards and Technology's (NIST) Manufacturing Extension Partnership (MEP) staff regarding their using TCO software. I will pursue these discussions at NIST on March 29. We have proposed working together on a range of actions to facilitate use of the tool: successive webinars for MEPs, clients and clients' customers; distributing our cases template to report and post cases and our email template for clients to use to engage their customers, the companies that offshore.
3. The Supply Chain Optimization team of 5 MEPs independently selected our TCO software to integrate into the system they are developing to help U.S. client companies develop more efficient supply chains.
4. At the NIST MEP *Manufacturing Innovation 2012* conference, I will train MEP center leaders on the use of the TCO software and how to convince large companies to adapt the software.
5. Barry Johnson, SelectUSA Executive Director, arranged for me to join him in an April 26, 2012 panel at the 2012 Governor's Innovation Conference in Nashville, TN. Further, SelectUSA is connecting Economic Development Organizations and domestic companies to the Reshoring Initiative and TCO.
6. I believe EDA could also be an effective part of the effort.

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